''(A) was transferred during October 1984, and

''(B) was transferred pursuant to a trust instrument stating that the grantor's intention was that the property of the trust would constitute qualified terminable interest property as to which a Federal gift tax marital deduction would be allowed upon the grantor's election,

shall be made on the return of tax imposed by section 2501 of such Code for the calendar year 1984 which is filed on or before the due date of such return or, if a timely return is not filed, on the first such return filed after the due date of such return and before December 31, 1986.''

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1015, 2012, 2044, 2519, 2652, 2701, 6019 of this title.

§ 2524. Extent of deductions

The deductions provided in sections 2522 and 2523 shall be allowed only to the extent that the gifts therein specified are included in the amount of gifts against which such deductions are applied.

(Aug. 16, 1954, ch. 736, 68A Stat. 414.)

CROSS REFERENCES

Estate tax credit for gift tax, see section 2012 of this title.

CHAPTER 13—TAX ON GENERATION-SKIPPING TRANSFERS

AMENDMENTS

1986—Pub. L. 99–514, title XIV, § 1431(a), Oct. 22, 1986, 100 Stat. 2717, struck out ''CERTAIN'' after ''TAX ON'' in chapter heading, substituted ''Generation-skipping transfers'' for ''Definitions and special rules'' in item for subchapter B and ''Taxable amount'' for ''Administration'' in item for subchapter C, and added items for subchapters D, E, and F.

CHAPTER REFERRED TO IN OTHER SECTIONS

This chapter is referred to in sections 667, 691, 2032, 2044, 2515, 2701, 7517 of this title.

Subchapter A—Tax Imposed

AMENDMENTS

1986—Pub. L. 99–514, title XIV, § 1431(a), Oct. 22, 1986, 100 Stat. 2717, in amending analysis of subchapter A generally, added item 2604.

§ 2601. Tax imposed

A tax is hereby imposed on every generation-skipping transfer (within the meaning of subchapter B).

(Added Pub. L. 94–455, title XX, § 2006(a), Oct. 4, 1976, 90 Stat. 1879; amended Pub. L. 99–514, title XIV, § 1431(a), Oct. 22, 1986, 100 Stat. 2718.)

[1] Section numbers editorially supplied.

AMENDMENTS

1986—Pub. L. 99–514 amended section generally, substituting ''(within the meaning of subchapter B)'' for ''in the amount determined under section 2602''.

EFFECTIVE DATE OF 1986 AMENDMENT

Section 1433 of Pub. L. 99–514, as amended by Pub. L. 100–647, title I, § 1014(h)(1)–(3)(A), (4), Nov. 10, 1988, 102 Stat. 3567, 3568, provided that:

''(a) GENERAL RULE.—Except as provided in subsection (b), the amendments made by this subtitle [subtitle D (§§ 1431–1433) of title XIV of Pub. L. 99–514, amending chapter 13 of this title, enacting section 2515 of this title, and amending sections 164, 303, 691, 2013, 2032, and 6166 of this title] shall apply to any generation-skipping transfer (within the meaning of section 2611 of the Internal Revenue Code of 1986) made after the date of the enactment of this Act [Oct. 22, 1986].

''(b) SPECIAL RULES.—

''(1) TREATMENT OF CERTAIN INTER VIVOS TRANSFERS MADE AFTER SEPTEMBER 25, 1985.—For purposes of subsection (a) (and chapter 13 of the Internal Revenue Code of 1986 as amended by this part), any inter vivos transfer after September 25, 1985, and on or before the date of the enactment of this Act [Oct. 22, 1986] shall be treated as if it were made on the 1st day after the date of enactment of this Act.

''(2) EXCEPTIONS.—The amendments made by this subtitle shall not apply to—

''(A) any generation-skipping transfer under a trust which was irrevocable on September 25, 1985, but only to the extent that such transfer is not made out of corpus added to the trust after September 25, 1985 (or out of income attributable to corpus so added),

''(B) any generation-skipping transfer under a will or revocable trust executed before the date of the enactment of this Act [Oct. 22, 1986] if the decedent dies before January 1, 1987, and

''(C) any generation-skipping transfer—

''(i) under a trust to the extent such trust consists of property included in the gross estate of a decedent (other than property transferred by the decedent during his life after the date of the enactment of this Act [Oct. 22, 1986]), or reinvestments thereof, or

''(ii) which is a direct skip which occurs by reason of the death of any decedent;

but only if such decedent was, on the date of the enactment of this Act [Oct. 22, 1986], under a mental disability to change the disposition of his property and did not regain his competence to dispose of such property before the date of his death.

''(3) TREATMENT OF CERTAIN TRANSFERS TO GRANDCHILDREN.—

''(A) IN GENERAL.—For purposes of chapter 13 of the Internal Revenue Code of 1986, the term 'direct skip' shall not include any transfer before January 1, 1990, from a transferor to a grandchild of the transferor to the extent the aggregate transfers from such transferor to such grandchild do not exceed $2,000,000.

''(B) TREATMENT OF TRANSFERS IN TRUST.—For purposes of subparagraph (A), a transfer in trust for the benefit of a grandchild shall be treated as a transfer to such grandchild if (and only if)—

''(i) during the life of the grandchild, no portion of the corpus or income of the trust may be distributed to (or for the benefit of) any person other than such grandchild,

''(ii) the assets of the trust will be includible in the gross estate of the grandchild if the grandchild dies before the trust is terminated, and

''(iii) all of the income of the trust for periods after the grandchild has attained age 21 will be distributed to (or for the benefit of) such grandchild not less frequently than annually.

''(C) COORDINATION WITH SECTION 2653(a) OF THE 1986 CODE.—In the case of any transfer which would be a